

**Internal Revenue Service**

P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Release Number: **201714035**

Release Date: 4/7/2017

**Date: January 10, 2017**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

UIL: 4945.04-04

X = Company

Y = Location

Dear \_\_\_\_\_ :

You asked for advance approval of your educational grant procedures under Internal Revenue Code section 4945(g)(3). This approval is required because you are a private foundation that is exempt from federal income tax.

**Our determination**

We approved your procedures for awarding educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants meet the requirements of Code section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

**Description of your request**

You are a tax-exempt private foundation formed and funded by X. You are dedicated to strengthening the fabric of the Y community by providing support in the areas of leadership development, education, environment, economic development, diversity, and human needs. You seek to create a new youth training and mentoring program (the "Program"). The objectives of the Program are to provide youths with educational training and mentoring for the purpose of improving and developing their capabilities.

The Program is intended for individuals who could not otherwise be gainfully employed because they lack the requisite experience and exposure to develop basic job skills. The skills the Program is expected to provide include, for example: dressing professionally, showing up to work every day, arriving on time each day, when it is appropriate to make personal calls, text, or use personal phones, completing a job application, interviewing, providing necessary documents when requested, alerting the appropriate person if missing a day of work, answering the telephone professionally, and using basic office technology.

At-risk/under-privileged/under-exposed youth aged 14 through 24 who reside in the greater Y area are eligible to participate in the Program ("Eligible Participants"). Employees and relatives of employees of either you or X will not be Eligible Participants.

Eligible Participants will apply to the Program through an application process developed by you. The application will be made available to Eligible Participants nominated by your nonprofit recruitment partners ("Nominating Organizations"). Nominating Organizations will nominate individuals who meet the Selection Standards defined below and are likely to benefit from participation in the Program. The Nominating Organizations are independent of and separate from you and X (except for participation with this Program as a Nominating Organization).

You will select Program Participants from the nominated individuals who complete the application process. You view the application process as part of the professional training provided by the Program. You have learned that the simple task of completing a job application may be overly challenging for many Program Participants. You begin your educational process at this point as it helps guide the nominated individuals through the application process.

Selection of Program Participants will be based upon criteria including, but not limited to, prior academic performance (minimum G.P.A. of 2.0), performance on tests designed to measure ability and aptitude for higher education, recommendations from instructors or other individuals not related to the potential participants, financial need, and conclusions drawn from personal interviews as to motivation and character ("Selection Standards"). Program Participants must also pass a criminal background test and a drug test.

You will place each Program Participant in an appropriate department at X for job training and mentoring ("Sponsoring Department"). The Sponsoring Departments will be suitable placements for training the Program Participants in skills with widespread application (e.g., management, information technology, human resources, marketing, design, support, etc.). The priority for determining placements will be based on the Sponsoring Departments' ability to provide strong mentors for each Program Participant. You will also seek to match Program Participants' interests with their assigned Sponsoring Department based on information provided with their applications.

Because of the significant amount of oversight needed for training and mentoring the Program Participants, the Program will be housed in X so you will have sufficient access to provide such oversight.

Each placement will be for a designated term of either three months in the summer or eight months during the full school year. Program Participants will be allowed the option to participate in the Program for a second term provided they successfully complete their first term. Program Participants who are not students may participate in the Program during the standard school year.

You expect anywhere from 10 to 50 Program Participants at any one time. The number of Program Participants will be based on the availability of strong mentors.

Program Participants will take part in 4-8 hours each week of general professional training in a centralized, group setting. This training will include, but is not limited to, training in PowerPoint presentation skills, resume/interview skills, continuous improvement methodology, and appropriate professional attire and attitude. This training may be provided by your employees, X employees or unrelated local non-profit organizations.

Program Participants will be assigned a mentor who will meet with them and provide feedback at least every two weeks. Program Participants will also receive performance evaluation feedback on attendance, punctuality, reliability, initiative, accuracy of work, work speed, job learning and application, attitude towards training, use of work time, care of work area, attitude towards peers, attitude towards supervisors, safety and appropriate professional attire.

The program will be publicized to the Nominating Organizations. The application for the Program will be made available to eligible Participants nominated by your nonprofit recruitment partners.

The bi-weekly grant amounts will be based on experience and education level of the Program Participants. To continue to qualify for such grant amounts, the Program Participants must continue to actively participate in the Program. Because you will be operating the Program, you will have real-time knowledge of the participation of each grantee. Program Participants will also be obligated to sign a commitment agreement at the start of the Program that acknowledges the Program Participants' obligation to actively participate in the program.

The selection committee will be made up of up to five of your officers and directors who volunteer to participate on the committee.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and (4) withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversion from occurring.

You represent that you will maintain the following: (1) all records relating to individual grants including information obtained to evaluate grantees, (2) identify a grantee is a disqualified person, (3) establish the amount and purpose of each grant, and (4) establish that you undertook the supervision and investigation of grants described above.

### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is:
  - A scholarship or fellowship subject to section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii); or
  - A prize or award subject to the provisions of section 74(b), if the recipient of the prize or award is selected from the general public; or
  - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulations section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

### **Other conditions that apply to this determination**

- This determination covers only the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes in your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
 Exempt Organizations Determinations  
 P.O. Box 2508  
 Cincinnati, OH 45201

- You cannot make grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and must further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have any questions, please contact the person listed at the top of this letter.

Sincerely,

Jeffrey I. Cooper  
Director, Exempt Organizations  
Rulings and Agreements